

R 021007Z JUL 09  
FM AMEMBASSY BAMAKO  
TO SECSTATE WASHDC 0524  
INFO ECOWAS COLLECTIVE  
DEPT OF COMMERCE WASHDC

UNCLAS BAMAKO 000441

E.O. 12958: N/A

TAGS: [ECON](#) [EAID](#) [ETRD](#) [EINT](#) [EAGR](#) [ML](#)

SUBJECT: THE RISKS AND REWARDS OF ARTISANAL GOLD MINING IN MALI

**¶11. (U)** Summary: Artisanal gold mining accounts for four percent of Mali's total gold production. In contrast to industrial mining, artisanal mining is unregulated by the Malian government and plagued with problems such as the use of child labor as well as the use of mercury in the process of gold refining. A program funded by the U.S. Department of Labor and implemented by the International Labor Organization (ILO) aims to eliminate the worst forms on child labor in Mali, including mining. On May 27-28, the Embassy visited several artisanal and one industrial mine in Kenieba, the largest gold producing region. There was no evidence of child labor during this visit, though numerous health and safety risks remain. End summary.

-----  
Artisanal Gold Production in Kenieba  
-----

**¶12. (U)** On May 27-28, the Embassy visited several artisanal and one industrial gold mine in Kenieba, in western Mali. The Kenieba Valley is Mali's primary gold producing region, the site of Mali's largest industrial gold mines and most intensive artisanal production. In 2006, artisanal miners produced 2,100 kilograms (kg) of gold, or four percent of the total 51,957 kg produced in Mali that year. According to the Prefect of Kenieba, more than 90 percent of the adult population in the region is involved in mining. Gold prospectors, who are generally villagers in the same region, dig holes in zones that have not already been delineated in mining concessions. In these "couloirs d'orpaillage", there is no requirement to register mining activity; as a result, the Kenieba landscape is littered with abandoned mining pits.

**¶13. (U)** Men and women are equally involved in mining activities. Men's operations, however, tend to be larger in scale, with pits measuring more than 70 meters deep and often involving a network of horizontal shafts. These also tend to be more capital intensive, with crews of more than 20 individuals working a single shaft, whereas women usually dig their pits, measuring one to two meters, individually. Miners typically use mercury to refine the gold dust they find, which is more common than gold nuggets that need only to be washed with water. One entrepreneur we interviewed, who employed a total of 40 people at two different sites, was insistent that all of the mercury he used was subsequently recuperated and did not seep into the ground. He acknowledged, however, that all of his workers handled mercury and he could not oversee each aspect of the operations at both sites. The lack of regulation of artisanal mining makes it difficult to assess the extent of negative health impacts of the use of mercury on the local population. The Prefect of Kenieba said that, in spite of the fact that almost the entire adult population in his district was involved in gold mining, he was not aware of any systematic or unusual health problems. The Prefect's reticence is telling of the general lack of awareness of this issue.

-----  
Is Child Labor Disappearing, Or Just Less Visible?  
-----

**¶14. (U)** Because of the intensity of mining activity, Kenieba is one of the sites targeted in a USD 3.5 million project to

combat child labor. The "Support for the Preparation of the Mali Time-Bound Program" (TBP) is funded by the U.S. Department of Labor (USDOL) and implemented by the International Labor Organization and the International Program for the Elimination of Child Labor (IPEC). The TBP seeks to develop a national strategy to eliminate the worst forms of child labor in Mali. This includes the adoption of legislation enumerating and criminalizing the worst forms of child labor, the creation of statistical databases, and the formation of institutions designed to implement and oversee Mali's child labor policies. The program also sets out to prevent 9,000 children from participating in the worst forms of child labor, including both those who have already been laborers and those who are at risk.

**¶5. (U)** No child labor was evident during the visit to Kenieba. In a June 9 meeting, Technical Advisor of the TBP in Mali, Michel Gregoire, was optimistic that the TBP had made some headway in combating child labor in the region. He cited a February 2009 survey funded by the USDOL called the Direct Beneficiaries Monitoring and Reporting study (DBMR), which verified the TBP's tally of how many children had been prevented from entering the workforce. The study tracked the children listed as success stories to confirm that they were attending school. Ultimately, the DBMR revealed a ten percent margin of error, which Gregoire felt was indicative of the TBP's success to date. This measure of success is problematic, however, as children sometimes serve as laborers for several hours after returning from school, on weekends, or between school sessions. In reference to mining, Gregoire said the real measure of success of the program would be seen when school was out of session. Thus, the fact that no children were working in mining during our visit may have been the result of a combination of factors, including the success of the prevention program, the time of day, and seasonality.

---

#### The Economics Of Artisanal Gold Production

---

**¶6. (U)** For most of those involved in artisanal mining, income is unreliable. One year may be profitable, allowing for the purchase of a motorcycle or television set, while other years may yield no returns. For those entrepreneurs who have the means to invest some capital, the economic calculations can be quite a bit more favorable. A Malian entrepreneur, Issa Camara, said he had produced 4.29 kg of gold, worth USD 103,000, in four months using a team of 40 people. Three years after starting his mining operation, Camara had far surpassed the initial CFA 35 million (USD 70,000) investment he made and he continued to expand his operation. In another instance, a Malian worker managed an operation that was financed by a Dubai businessman, who had provided the costly pump and generator. This worker said his team typically produced between 3-7 kilograms of gold per year, worth an average of USD 72,000 - 182,000. The Dubai businessman did not visit the mine and received his payment in gold during periodic trips to Bamako.

**¶7. (U)** There are three qualities of gold produced in Mali: 20.70, 21, and 22 carats. Once purified, the first could be sold for 9,500 CFA (USD 19) per gram, the second for 10,500 CFA (USD 21) per gram, and the third for 11,500 CFA (USD 23) per gram, which increased by an additional 500-1000 CFA (USD 1-2) per gram once it reached the Bamako markets. Prices were set according to the second fixing of London. Camra generally sold the gold he produced to a handful of buyers with whom he had a relationship, sometimes directly to buyers coming from abroad or to middlemen in Bamako.

**¶8. (U)** Asked about the export of gold, Camara described the two most common scenarios for transporting gold from Mali. In the first, gold was purchased at a gold "comptoir" in Bamako, which took care of gathering the requisite paperwork from the National Office of Geology and Mines (DNGM) and customs office, and ensured that duties were paid. The second, and more common, scenario was that a buyer purchased

directly from a producer or middleman. Once at the airport, the buyer was responsible for paying customs duties. Camara's description revealed the murkiness of exporting gold from Mali. Malian law allows for the export of gold only in the form of bars. As evidenced by Camara's description, however, gold dust is exported routinely. This corresponds to the Embassy's experience in answering commercial inquiries from U.S.-based buyers who are almost invariably negotiating transactions to purchase gold dust from Mali. One U.S. buyer said that dust was preferable to bars because it was more difficult to substitute with a non precious metal.

-----  
Canadian Company Resumes Operations  
-----

¶9. (SBU) Avion Resources Corp, a Canadian based company, has restarted production at the Tabakoto and Segala gold mines in Kenieba through its purchase of Nevsun, the Canadian firm that previously operated the two mines. Avion Acting Director Lyndon Blackberry said the company was poised to double production from the current 100,000 oz per year from the two pits. Avion's relations with the neighboring communities were smooth, according to Blackberry, due in large part to the fact that the company consulted the Prefect of Kenieba when hiring workers from the area. This allowed the Prefect to recommend individuals in return for favors or support. Asked about the greatest challenges to doing business in Mali, Blackberry said unequivocally that it was the time and expense to clear goods and materials through customs. This was in spite of the fact that the Malian government allows the duty-free import of machinery and other inputs for the first three years of a mining operation, and Blackberry said delays and requests for bribes were common.

-----  
Comment  
-----

¶10. (SBU) It was heartening that we saw no evidence of child labor during this visit. Even if this was due, in part, to the seasonal nature of child labor in the artisanal mining sector, it also seems clear that the U.S. Department of Labor funded program to combat child labor has had a discernible impact in the region, evidenced also by the signs advertising the program in and around Kenieba. What was troubling, however, was the lack of awareness of both workers and officials of the health risks posed by mercury use, as well as the lack of oversight with regard to the most basic of safety standards. Given the prospect of striking gold, however, it is clear that the risks have been outweighed by the potential reward. End comment.

MILOVANOVIC